

## Message Text

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53

ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 SSO-00 NSCE-00 CCO-00 USIE-00

INRE-00 ACDA-19 CIAE-00 INR-10 IO-12 L-03 NSAE-00

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OMB-01 RSR-01 /141 W

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O 021515 Z APR 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 8845

INFO USAEC GERMANTOWN MD IMMEDIATE

USMISSION NATO

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

C O N F I D E N T I A L PARIS 9124

C O R R E C T E D COPY ( FOR TEXT PARA #1)

E. O. 11652: GDS

TAGS: TECH, FR, GER

SUBJ: FRENCH OFFER TO SUPPLY ENRICHED URANIUM TO GERMANY

REF: PARIS 09023

SUMMARY: FRENCH C. E. A. OFFERED, MARCH 30, TO SUPPLY GERMANY WITH 3 MILLION SWU OF ENRICHED URANIUM WORK BY 1980-82 THROUGH EURATOM SUPPLY AGENCY. TERMS CLAIMED TO BE SIMILAR TO THOSE PROPOSED BY THE USAEC. CONTRACT VALUE IS ESTIMATED AT \$100 MILLION AND WOULD BE TRANSFERRABLE TO A EUROPEAN ENRICHMENT PLANT SHOULD ONE BE OPERATING IN TIME TO MEET THE GERMAN REQUIREMENTS. END SUMMARY.

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1. LE MONDE OF APRIL 1 AND LE FIGARO OF APRIL 2 CARRIED LENGTHY STORIES REPORTING THE FRENCH COMMISSARIAT A L' ENERGIE ATOMIQUE ( C. E. A.) OFFER TO PROVIDE WEST GERMANY WITH 3 MILLION SEPARATIVE WORK UNITS ( SWU) OF ENRICHED URANIUM (3,000 TONS) FOR DELIVERY IN 1980-82. FRENCH OFFER IS IN RESPONSE TO REQUEST FOR BIDS MADE BY EURATOM SUPPLY AGENCY TO THE C. E. A. AND URENCO, THE COMPANY REPRESENTING THE THREE- NATION ( TROIKA) GROUP ( U. K., WEST GERMAN, THE NETHERLANDS) DEVELOPING THE ULTRACENTRIFUGE TECHNOLOGY. FRENCH OFFER MADE AT TIME SUPPLY AGENCY IS NEGOTIATING ON BEHALF OF WEST GERMANY WITH THE U. S. A. E. C. FOR THE SAME CONTRACT. SUPPLY AGENCY DIRECTOR OBOUSSIER REPORTED TO BE IN WASHINGTON APRIL 2. THE URENCO GROUP IS ALSO EXPECTED TO MAKE A BID.

2. THE ARTICLES QUESTION WHETHER PIERRELATTE, THE C. E. A. GASEOUS DIFFUSION PLANT, WHICH HAS PRODUCED PRIMARILY FOR MILITARY USES, WOULD BE CAPABLE OF MEETING THE QUANTITIES REQUIRED. LE MONDE SCIENCE WRITER NICOLAS VICHNEY UNABLE TO ANSWER QUESTION DIRECTLY BUT CONCLUDES THAT C. E. A. WOULD NOT UNDERTAKE AN ENGAGEMENT IT COULD NOT KEEP. FIGARO PIECE ARGUES THAT IF C. E. A. GETS CONTRACT, IT COULD ASK FOR AN ADVANCE OF \$100 MILLION AS WOULD THE U. S. A. E. C. AND CAN THEREFORE FUND NECESSARY MODIFICATIONS IN PIERRELATTE TO OPTIMIZE PRODUCTION TO MEET BOTH GERMAN CONTRACT AND FRENCY ELECTRICITE DE FRANCE' S ( EDF) EXPECTED REQUIREMENTS OF 1.5 MILLION WORK UNITS IN 1980-82. ( COMMENT: ARTICLE CONFUSES GERMAN PREPAYMENT OF \$100 MILLION WITH PROPOSED NEW AEC CRITERIA DOWNPAYMENT REQUIREMENTS. IF TOTAL VALUE OF GERMAN CONTRACT IS NEAR \$100 MILLION, PROPOSED U. S. DOWNPAYMENT REQUIREMENT WOULD BE ABOUT \$33 MILLION.) BOTH ARTICLES SPECULATE ON POSSIBILITY THAT SOME ENRICHED URANIUM FOR CIVILIAN USE ALREADY STOCKED AT PIERRELATTE AND THAT DECREASING MILITARY NEEDS WILL FREE FURTHER CIVILIAN CAPACITY.

3. UNDERLYING FRENCH OBJECTIVE ACCORDING TO LE FIGARO CONTAINED IN LETTER C. E. A. SENT TO SUPPLY AGENCY MARCH 30 STATING THAT IF BY 1980 THERE IS A PRODUCING EUROPEAN ENRICHMENT INSTALLATION, THE GERMAN CONTRACT WILL AUTOMATICALLY BE TURNED OVER TO THE EUROPEAN PLANT. LE MONDE SEES FRENCH MOVE AS ATTEMPT TO PREVENT GERMANS FROM SIGNING UP WITH NON- EUROPEAN SUPPLIER AND AT SAME TIME REINFORCE THE CHANCES OF A RAPID EUROPEAN DECISION ON A EUROPEAN ENRICHMENT PLANT.

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4. COMMENT: WHAT IS NOT CLEAR FROM THESE ARTICLES IS WHAT ENRICHMENT CAPACITY FRANCE WOULD USE TO SUPPLY PROPOSED GERMAN CONTRACT. IT SEEMS UNLIKELY THAT FRENCH WOULD DEVOTE ENTIRE OUTPUT OF PIERRELATTE (THOUGHT TO BE ABOUT 300 TONS ANNUALLY) OVER DECADE TO FILLING GERMAN CONTRACT. THIS WOULD OBVIOUSLY EXCLUDE THEIR OWN MILITARY AND CIVILIAN NEEDS. A POSSIBLE EXPLANATION IS THAT PIERRELATTE OUTPUT IS IN REALITY MORE THAN WE AND OTHER OBSERVERS HAVE GUESSED. THE ESTIMATED COST OF \$1 BILLION APPROXIMATES THAT OF U. S. PLANTS WHOSE CAPACITIES ARE VERY MUCH GREATER. HOWEVER, LARGE COSTS AND LOSSES OF EFFICIENCY WOULD APPEAR TO BE INVOLVED IN CONVERTING PIERRELATTE TO LOW- ENRICHMENT PERFORMANCE. MOST LIKELY THE FRENCH WANT TO CAPTURE URANIUM FUEL MARKET FOR PROPOSED EUROPEAN ENRICHMENT PLANT (EURODIF). GIVEN LONG TERM GERMAN CONTRACT, THEY FEEL THEY CAN HASTEN A FAVORABLE DECISION FROM THE OTHER PARTIES OF EURODIF TO PROCEED WITH PLANT CONSTRUCTION. WITH CONFIDENCE APPARENTLY INCREASING IN THE CENTRIFUGE VIS- A- VIS DIFFUSION TECHNOLOGY, THIS MAY BE BEST CHANCE FRENCH HAVE OF GAINING APPROVAL FOR EUROPEAN ENRICHMENT PLANT USING FRENCH GASEOUS DIFFUSION TECHNOLOGY.

5. FRENCH OFFER PUTS GERMANS IN DIFFICULT POSITION. THE PROPOSED PURCHASE OF U. S. FUEL SERVICES BY GERMANY WAS PART OF BALANCE OF PAYMENTS OFFSET AGREEMENT. HOWEVER, IF GERMANS REFUSE FRENCH OFFER, THEY DAMAGE THEIR EUROPEAN CREDENTIALS. ON THE OTHER HAND, WERE THEY TO ACCEPT, THEY WOULD RELY ON AN UNDEMONSTRATED CAPACITY AND THEY WOULD JEOPARDIZE THE ULTIMATE CHANCES OF THEIR OWN CENTRIFUGE TECHNOLOGY SUCCEEDING.  
IRWIN

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**To:** BONN  
BRUSSELS  
EC BRUSSELS  
EUR  
LONDON  
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